

TOWNSHIP OF HAY  
Gladwin County, Michigan

FINANCIAL REPORT WITH  
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2008

# Auditing Procedures Report

Instructions and MuniCodes

\*=Required Fields

Reset Form

Issued under Public Act 2 of 1968, as amended. (V1.07)

Unit Name* HAY	County* GLADWIN	Type* TOWNSHIP	MuniCode* 26-1-110
Opinion Date-Use Calendar* 8-27-08	Audit Submitted-Use Calendar* 9-23-08	Fiscal Year End Month* 03	Fiscal Year* 2008

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No."

<input checked="" type="checkbox"/> ?	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/> ?	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input type="checkbox"/> ?	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/> ?	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/> ?	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/> ?	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/> ?	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/> ?	8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input checked="" type="checkbox"/> ?	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/> ?	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
<input checked="" type="checkbox"/> ?	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input checked="" type="checkbox"/> ?	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/> ?	13. Is the audit opinion unqualified?
	14. If not, what type of opinion is it? NA
<input checked="" type="checkbox"/> ?	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/> ?	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/> ?	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input type="checkbox"/> ?	18. Are there reported deficiencies?
	19. If so, was it attached to the audit report?

General Fund Revenue:	<input type="checkbox"/> ? \$ 154,557.71
General Fund Expenditure:	<input type="checkbox"/> ? \$ 147,974.58
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	<input type="checkbox"/> ? \$ 285,103.93
Governmental Activities Long-Term Debt (see instructions):	<input type="checkbox"/> ? \$ 0.00

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (reported deviations).

CPA (First Name)* MARK	Last Name* CAMPBELL	Ten Digit License Number* 1101007803		
CPA Street Address* 512 N. LINCOLN, STE 100	City* BAY CITY	State* MI	Zip Code* 48708	Telephone* +1 (989) 894-1040
CPA Firm Name* CAMPBELL, KUSTERER	Unit's Street Address* 720 RIVERS TERRACE	Unit's City* GLADWIN	Unit's Zip* 48624	



TOWNSHIP OF HAY  
Gladwin County, Michigan

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	2-4
Basic Financial Statements:	
Government-wide Financial Statements:	
Government-wide Statement of Net Assets	5
Government-wide Statement of Activities	6
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	7
Reconciliation of Balance Sheet of Governmental Funds to the Statement of Net Assets	8
Statement of Revenues, Expenditures, and Changes in Fund Balances	9
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	10
Notes to Financial Statements	11-16
Required Supplemental Information:	
Budgetary Comparison Schedule – General Fund	17
Budgetary Comparison Schedule – Weed Control Fund	18
Budgetary Comparison Schedule – Solid Waste Fund	19
Budgetary Comparison Schedule – Fire Fund	20
Other supporting information:	
Current Tax Collection Fund Statement of Changes in Assets and Liabilities	21

# CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA  
KENNETH P. KUSTERER, CPA

512 N. LINCOLN AVE. - SUITE 100  
P.O. BOX 686  
BAY CITY, MICHIGAN 48707

TEL (989) 894-1040  
FAX (989) 894-5494

## INDEPENDENT AUDITOR'S REPORT

August 27, 2008

To the Township Board  
Township of Hay  
Gladwin County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Township of Hay, Gladwin County, Michigan as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Hay's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Hay, Gladwin County, Michigan as of March 31, 2008, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Campbell, Kusterer & Co., P.C.*  
CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants

TOWNSHIP OF HAY  
Gladwin County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended March 31, 2008

The Management's Discussion and Analysis report of the Township of Hay covers the Township's financial performance during the year ended March 31, 2008.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at March 31, 2008, totaled \$642,043.91 for governmental activities. Overall total capital assets remained the same.

Overall revenues were \$404,612.53 from governmental activities.

We did not incur any new debt.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Township are reported as governmental activities. This includes the General Fund, Road Fund, Solid Waste Fund, Weed Control Fund, Fire Fund and the Current Tax Collection Fund.

TOWNSHIP OF HAY  
Gladwin County, Michigan

CONDENSED FINANCIAL INFORMATION  
For the year ended March 31, 2008

	<u>Total</u> <u>Governmental</u> <u>Activities</u> <u>2008</u>
Current Assets	651 021
Capital Assets	<u>2 680</u>
Total Assets	<u>653 701</u>
Current Liabilities	11 657
Non-current Liabilities	<u>-</u>
Total Liabilities	<u>11 657</u>
Net Assets:	
Invested in Capital Assets	2 680
Unrestricted	<u>639 364</u>
Total Net Assets	<u><u>642 044</u></u>

	<u>Total</u> <u>Governmental</u> <u>Activities</u> <u>2008</u>
Program Revenues:	
Fees and Charges for Services	247 283
General Revenues:	
Property Taxes	33 650
State Revenue Sharing	99 702
Interest	20 970
Miscellaneous	<u>3 008</u>
Total Revenues	<u>404 613</u>
Program Expenses:	
Legislative	62 045
General Government	83 530
Public Safety	51 625
Public Works	<u>228 444</u>
Total Expenses	<u>425 644</u>
Increase (Decrease) in Net Assets	(21 031)
Net Assets, April 1	<u>663 075</u>
Net Assets, March 31	<u><u>642 044</u></u>

TOWNSHIP OF HAY  
Gladwin County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended March 31, 2008

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following types of funds:

Governmental funds: All of the Township's activities are included in the governmental category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Township's governmental activities include the General Fund, Road Fund, Solid Waste Fund, Weed Control Fund and the Fire Fund.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Road improvements were made.

Our cash position in governmental activities remains healthy. We do not carry any debts.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for the Township's governmental services which totaled \$147,974.58.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township's governmental activities invested \$0 in capital assets.

No long-term debt activity at this time.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is very clouded and it represents a significant portion of our income. We continue to grow in taxable values with little demand for infrastructure, except roads and fire department maintenance.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors and customers with a general overview of the Townships finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact the Township Clerk at 720 Rivers Terrace, Gladwin, MI 48624.



TOWNSHIP OF HAY  
Gladwin County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS  
March 31, 2008

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	608 858 42
Taxes receivable	<u>42 162 25</u>
Total Current Assets	<u>651 020 67</u>
NON-CURRENT ASSETS:	
Capital Assets	34 857 35
Less: Accumulated Depreciation	<u>(32 177 35)</u>
Total Non-current Assets	<u>2 680 00</u>
TOTAL ASSETS	<u><u>653 700 67</u></u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES:	
Accounts payable	<u>11 656 76</u>
Total Current Liabilities	<u>11 656 76</u>
NON-CURRENT LIABILITIES	<u>-</u>
Total Non-current Liabilities	<u>-</u>
Total Liabilities	<u>11 656 76</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	2 680 00
Unrestricted	<u>639 363 91</u>
Total Net Assets	<u>642 043 91</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>653 700 67</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF HAY  
Gladwin County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
Year ended March 31, 2008

	<u>Expenses</u>	<u>Program Revenue</u>	<u>Governmental Activities</u>
		<u>Charges for Services</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
<b>FUNCTIONS/PROGRAMS</b>			
Governmental Activities:			
Legislative	62 044 59	-	(62 044 59)
General government	83 529 99	6 768 60	(76 761 39)
Public safety	51 625 16	49 116 19	(2 508 97)
Public works	<u>228 443 92</u>	<u>191 398 57</u>	<u>(37 045 35)</u>
Total Governmental Activities	<u>425 643 66</u>	<u>247 283 36</u>	<u>(178 360 30)</u>
General Revenues:			
Property taxes			33 649 95
State revenue sharing			99 701 61
Interest			20 969 33
Miscellaneous			<u>3 008 28</u>
Total General Revenues			<u>157 329 17</u>
Change in net assets			(21 031 13)
Net assets, beginning of year			<u>663 075 04</u>
Net Assets, End of Year			<u>642 043 91</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF HAY  
Gladwin County, Michigan

**BALANCE SHEET – GOVERNMENTAL FUNDS**  
March 31, 2008

	<u>General</u>	<u>Weed Control</u>	<u>Solid Waste</u>	<u>Fire</u>
<b><u>Assets</u></b>				
Cash in bank	283 666 90	95 849 78	202 517 21	9 561 39
Taxes receivable	5 018 35	9 333 87	20 790 00	7 020 03
Due from other funds	<u>1 055 41</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u><u>289 740 66</u></u>	<u><u>105 183 65</u></u>	<u><u>223 307 21</u></u>	<u><u>16 581 42</u></u>
<b><u>Liabilities and Fund Equity</u></b>				
Liabilities:				
Accounts payable	<u>4 636 73</u>	<u>-</u>	<u>-</u>	<u>7 020 03</u>
Total liabilities	<u>4 636 73</u>	<u>-</u>	<u>-</u>	<u>7 020 03</u>
Fund equity:				
Fund balances:				
Unreserved:				
Undesignated	<u>285 103 93</u>	<u>105 183 65</u>	<u>223 307 21</u>	<u>9 561 39</u>
Total fund equity	<u>285 103 93</u>	<u>105 183 65</u>	<u>223 307 21</u>	<u>9 561 39</u>
Total Liabilities and Fund Equity	<u><u>289 740 66</u></u>	<u><u>105 183 65</u></u>	<u><u>223 307 21</u></u>	<u><u>16 581 42</u></u>

The accompanying notes are an integral part of these financial statements.

<u>Other Funds</u> <u>(Road)</u>	<u>Total</u>
16 207 73	607 803 01
-	42 162 25
-	1 055 41
<u>16 207 73</u>	<u>651 020 67</u>

-	11 656 76
-	11 656 76

<u>16 207 73</u>	<u>639 363 91</u>
<u>16 207 73</u>	<u>639 363 91</u>
<u>16 207 73</u>	<u>651 020 67</u>

TOWNSHIP OF HAY  
Gladwin County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
March 31, 2008

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	639 363 91
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	34 857 35
Accumulated depreciation	<u>(32 177 35)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u><u>642 043 91</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF HAY  
Gladwin County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –  
GOVERNMENTAL FUNDS  
Year ended March 31, 2008

	<u>General</u>	<u>Weed Control</u>	<u>Solid Waste</u>	<u>Fire</u>
Revenues:				
Property taxes	33 649 95	-	-	-
State revenue sharing	99 701 61	-	-	-
Charges for services	6 768 60	-	-	-
Interest	11 429 27	3 662 44	5 877 62	-
Special assessments	-	72 016 90	119 381 67	49 116 19
Miscellaneous	<u>3 008 28</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>154 557 71</u>	<u>75 679 34</u>	<u>125 259 29</u>	<u>49 116 19</u>
Expenditures:				
Legislative:				
Township Board	62 044 59	-	-	-
General government:				
Supervisor	7 380 00	-	-	-
Elections	1 489 76	-	-	-
Assessor	41 532 04	-	-	-
Clerk	8 922 00	-	-	-
Board of Review	552 25	-	-	-
Treasurer	13 836 50	-	-	-
Building and grounds	9 757 44	-	-	-
Public safety:				
Fire protection	-	-	-	49 165 16
Liquor control	2 460 00	-	-	-
Public works:				
Sanitation	-	-	107 687 40	-
Weed control	-	113 575 00	-	-
Highways and streets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>147 974 58</u>	<u>113 575 00</u>	<u>107 687 40</u>	<u>49 165 16</u>
Excess (deficiency) of revenues over expenditures	6 583 13	(37 895 66)	17 571 89	(48 97)
Fund balances, April 1	<u>278 520 80</u>	<u>143 079 31</u>	<u>205 735 32</u>	<u>9 610 36</u>
Fund Balances, March 31	<u><u>285 103 93</u></u>	<u><u>105 183 65</u></u>	<u><u>223 307 21</u></u>	<u><u>9 561 39</u></u>

The accompanying notes are an integral part of these financial statements.

<u>Other Funds (Road)</u>	<u>Total</u>
-	33 649 95
-	99 701 61
-	6 768 60
-	20 969 33
-	240 514 76
-	3 008 28
-	404 612 53
-	62 044 59
-	7 380 00
-	1 489 76
-	41 532 04
-	8 922 00
-	552 25
-	13 836 50
-	9 757 44
-	49 165 16
-	2 460 00
-	107 687 40
-	113 575 00
<u>7 181 52</u>	<u>7 181 52</u>
<u>7 181 52</u>	<u>425 583 66</u>
(7 181 52)	(20 971 13)
<u>23 389 25</u>	<u>660 335 04</u>
<u>16 207 73</u>	<u>639 363 91</u>

TOWNSHIP OF HAY  
Gladwin County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year ended March 31, 2008

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS (20 971 13)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,  
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(60 00)
Capital Outlay	<u>-</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES (21 031 13)

The accompanying notes are an integral part of these financial statements.



TOWNSHIP OF HAY  
Gladwin County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2008

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Hay, Gladwin County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Hay. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

TOWNSHIP OF HAY  
Gladwin County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2008

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Fiduciary Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The 2007 tax roll millage rate was .6637 mills, and the taxable value was \$50,088,301.00.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

TOWNSHIP OF HAY  
Gladwin County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2008

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$200.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings, additions and improvements	50 years
Equipment	5-10 years

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

TOWNSHIP OF HAY  
Gladwin County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2008

**Note 3 – Deposits and Investments**

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated two banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>609 053 42</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	150 000 00
Uninsured and Uncollateralized	<u>461 002 12</u>
Total Deposits	<u>611 002 12</u>

The Township of Hay did not have any investments as of March 31, 2008.

**Disclosures Relating to Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Township manages its exposure to interest rate risk is by participating in financial institution pooled funds and in mutual funds which hold diverse investments that are authorized by law for direct investments.

**Concentration of Credit Risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

The investment policy of the Township contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by Michigan law.

**Custodial Credit Risk**

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Michigan law and the Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits.

TOWNSHIP OF HAY  
Gladwin County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2008

Note 3 – Deposits and Investments (continued)

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Michigan law and the Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investment, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

Note 4 – Capital Assets

Capital asset activity of the Township's Governmental activities for the current year was as follows:

	Balance 4/1/07	Additions	Deletions	Balance 3/31/08
<u>Governmental Activities:</u>				
Land	2 700 00	-	-	2 700 00
Buildings	27 245 00	-	-	27 245 00
Equipment	4 912 35	-	-	4 912 35
Total	34 857 35	-	-	34 857 35
Accumulated Depreciation	(32 117 35)	(60 00)	-	(32 177 35)
Net Capital Assets	<u>2 740 00</u>	<u>(60 00)</u>	<u>-</u>	<u>2 680 00</u>

Note 5 – Pension Plan

The Township has a defined contribution pension plan covering substantially all full-time employees. The Township contributes an amount of each employee's annual salary to the plan. Pension expense for the fiscal year ended March 31, 2008, was \$4,636.73.

Note 6 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 7 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 8 – Building Permits

The Township of Hay does not issue building permits. Building permits are issued by the County of Gladwin.

Note 9 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	1 055 41	Current Tax Collection	1 055 41
Total	<u>1 055 41</u>	Total	<u>1 055 41</u>

TOWNSHIP OF HAY  
Gladwin County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2008

Note 10 – Budget Variances

During the fiscal year ended March 31, 2008, Township expenditures exceeded the budgeted amounts in several activities as follows:

<u>Fund/Activity</u>	<u>Final Budget</u>	<u>Total Expenditures</u>	<u>Budget Variance</u>
General Fund:			
Township Board	60 380 00	62 044 59	1 664 59
Building and grounds	8 150 00	9 757 44	1 607 44
Fire Fund:			
Fire protection	39 000 00	49 165 16	10 165 16

TOWNSHIP OF HAY  
Gladwin County, Michigan

**BUDGETARY COMPARISON SCHEDULE – GENERAL FUND**  
Year ended March 31, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	32 000 00	33 343 87	33 649 95	306 08
State revenue sharing	91 017 50	92 667 50	99 701 61	7 034 11
Charges for services	7 000 00	4 914 50	6 768 60	1 854 10
Interest	1 500 00	1 500 00	11 429 27	9 929 27
Miscellaneous	<u>7 503 27</u>	<u>7 503 27</u>	<u>3 008 28</u>	<u>(4 494 99)</u>
Total revenues	<u>139 020 77</u>	<u>139 929 14</u>	<u>154 557 71</u>	<u>14 628 57</u>
Expenditures:				
Legislative:				
Township Board	53 560 00	60 380 00	62 044 59	1 664 59
General government:				
Supervisor	9 715 00	9 675 00	7 380 00	(2 295 00)
Elections	5 725 00	5 725 00	1 489 76	(4 235 24)
Assessor	46 200 00	46 200 00	41 532 04	(4 667 96)
Clerk	11 687 00	12 062 00	8 922 00	(3 140 00)
Board of Review	1 650 00	1 650 00	552 25	(1 097 75)
Treasurer	20 256 00	20 606 50	13 836 50	(6 770 00)
Building and grounds	8 150 00	8 150 00	9 757 44	1 607 44
Public safety:				
Liquor control	<u>4 985 00</u>	<u>4 985 00</u>	<u>2 460 00</u>	<u>(2 525 00)</u>
Total expenditures	<u>161 928 00</u>	<u>169 433 50</u>	<u>147 974 58</u>	<u>(21 458 92)</u>
Excess (deficiency) of revenues over expenditures	(22 907 33)	(29 504 36)	6 583 13	36 087 49
Fund balance, April 1	<u>301 046 60</u>	<u>288 365 96</u>	<u>278 520 80</u>	<u>(9 845 16)</u>
Fund Balance, March 31	<u>278 139 27</u>	<u>258 861 60</u>	<u>285 103 93</u>	<u>26 242 33</u>

TOWNSHIP OF HAY  
Gladwin County, Michigan

**BUDGETARY COMPARISON SCHEDULE – WEED CONTROL FUND**  
Year ended March 31, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Over (Under)
Revenues:				
Interest	-	-	3 662 44	3 662 44
Special assessments	<u>116 100 00</u>	<u>116 100 00</u>	<u>72 016 90</u>	<u>(44 083 10)</u>
Total revenues	<u>116 110 00</u>	<u>116 100 00</u>	<u>75 679 34</u>	<u>(40 420 66)</u>
Expenditures:				
Public works:				
Weed control	<u>116 100 00</u>	<u>116 100 00</u>	<u>113 575 00</u>	<u>(2 525 00)</u>
Total expenditures	<u>116 100 00</u>	<u>116 100 00</u>	<u>113 575 00</u>	<u>(2 525 00)</u>
Excess (deficiency) of revenues over expenditures	-	-	(37 895 66)	(37 895 66)
Fund balance, April 1	<u>-</u>	<u>-</u>	<u>143 079 31</u>	<u>143 079 31</u>
Fund Balance, March 31	<u>-</u>	<u>-</u>	<u>105 183 65</u>	<u>105 183 65</u>



TOWNSHIP OF HAY  
Gladwin County, Michigan

BUDGETARY COMPARISON SCHEDULE – SOLID WASTE FUND  
Year ended March 31, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Interest	-	-	5 877 62	5 877 62
Special assessments	<u>120 000 00</u>	<u>120 000 00</u>	<u>119 381 67</u>	<u>(618 33)</u>
Total revenues	<u>120 000 00</u>	<u>120 000 00</u>	<u>125 259 29</u>	<u>5 259 29</u>
Expenditures:				
Public works:				
Sanitation	<u>120 000 00</u>	<u>120 000 00</u>	<u>107 687 40</u>	<u>(12 312 60)</u>
Total expenditures	<u>120 000 00</u>	<u>120 000 00</u>	<u>107 687 40</u>	<u>(12 312 60)</u>
Excess of revenues over expenditures	-	-	17 571 89	17 571 89
Fund balance, April 1	<u>-</u>	<u>-</u>	<u>205 735 32</u>	<u>205 735 32</u>
Fund Balance, March 31	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>223 307 21</u></u>	<u><u>223 307 21</u></u>

TOWNSHIP OF HAY  
Gladwin County, Michigan

BUDGETARY COMPARISON SCHEDULE – FIRE FUND  
Year ended March 31, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Special assessments	<u>39 000 00</u>	<u>39 000 00</u>	<u>49 116 19</u>	<u>10 116 19</u>
Total revenues	<u>39 000 00</u>	<u>39 000 00</u>	<u>49 116 19</u>	<u>10 116 19</u>
Expenditures:				
Public safety:				
Fire protection	<u>39 000 00</u>	<u>39 000 00</u>	<u>49 165 16</u>	<u>10 165 16</u>
Total expenditures	<u>39 000 00</u>	<u>39 000 00</u>	<u>49 165 16</u>	<u>10 165 16</u>
Excess of revenues over expenditures	-	-	(48 97)	(48 97)
Fund balance, April 1	<u>-</u>	<u>-</u>	<u>9 610 36</u>	<u>9 610 36</u>
Fund Balance, March 31	<u>-</u>	<u>-</u>	<u>9 561 39</u>	<u>9 561 39</u>

TOWNSHIP OF HAY  
Gladwin County, Michigan

CURRENT TAX COLLECTION FUND  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
Year ended March 31, 2008

	<u>Balance</u> <u>4/1/07</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/08</u>
<u>Assets</u>				
Cash in Bank	<u>102 20</u>	<u>1 652 717 72</u>	<u>1 651 569 51</u>	<u>1 250 41</u>
<u>Liabilities</u>				
Due to other funds	102 20	238 654 78	237 701 57	1 055 41
Due to other units	<u>-</u>	<u>1 414 062 94</u>	<u>1 413 867 94</u>	<u>195 00</u>
Total Liabilities	<u>102 20</u>	<u>1 652 717 72</u>	<u>1 651 569 51</u>	<u>1 250 41</u>

# CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA  
KENNETH P. KUSTERER, CPA

512 N. LINCOLN AVE. - SUITE 100  
P.O. BOX 686  
BAY CITY, MICHIGAN 48707

TEL (989) 894-1040  
FAX (989) 894-5494

## AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

August 27, 2008

To the Township Board  
Township of Hay  
Gladwin County, Michigan

We have audited the financial statements of the Township of Hay for the year ended March 31, 2008. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

### AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Hay in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board  
Township of Hay  
Gladwin County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

### **SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies are described in Note 1 to the financial statements.

### **OTHER COMMUNICATIONS**

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

### **COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY**

Our procedures disclosed the following conditions that we would like to bring to your attention:

#### **SEGREGATION OF DUTIES**

The Township's system of internal control is affected by the size of staff that it can employ.

The ultimate accounting system would include enough employees to completely segregate all aspects of each transaction. Different departments or individuals would handle: transaction authorization, transaction execution, asset handling, recording of transactions, review of transactions and subsequent control of assets.

The Township cannot enact a complete segregation of all aspects of each transaction due to the nature of local units of government. The "cost to benefit" relationship also would not justify a complete segregation of all duties.

We recommend that the Township Board Members understand these circumstances when performing their oversight responsibilities.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2008.

### **SUMMARY**

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

*Campbell, Kusterer & Co., P.C.*  
CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants